

**WEST LIBERTY COMMUNITY SCHOOL DISTRICT
WEST LIBERTY, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2011

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-16
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	18-19
B Statement of Activities	20-23
Governmental Fund Financial Statements:	
C Balance Sheet	24-25
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	26
E Statement of Revenues, Expenditures and Changes in Fund Balances	27-28
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	29
Proprietary Fund Financial Statements:	
G Statement of Net Assets	30
H Statement of Revenues, Expenses and Changes in Net Assets	31
I Statement of Cash Flows	32-33
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Assets and Liabilities	34
K Statement of Changes in Fiduciary Net Assets	35
Notes to Financial Statements	36-54
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds	56
Notes to Required Supplementary Information – Budgetary Reporting	57
Schedule of Funding Progress for the Retiree Health Plan	58
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	60
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	61
Capital Projects Accounts:	
3 Combining Balance Sheet	62
4 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	63
5 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	64-65
6 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	66
7 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	68-69
8 Schedule of Expenditures of Federal Awards	70-71
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	72-73

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	74-75
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	76-80

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Mike Duytschaver	President	2011
Kevin Minor	Vice President	2013
Priscilla Haessig	Board Member	2011
Claire LeMay	Board Member	2011
Rhea Allen	Board Member	2013
<u>School Officials</u>		
Robert Mata	Superintendent (Resigned March 2011)	2013
Steve Hanson	Superintendent (Appointed April 2011)	
Tom Anderson	District Secretary/Treasurer and Business Manager	2011
Brian Gruhn	Attorney	2011
Bill Tharp	Attorney	2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
West Liberty Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Liberty Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of the West Liberty Community School District Foundation have not been audited, and we were not engaged to audit the Foundation financial statements as part of our audit of the West Liberty Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

Because the Foundation's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the discretely presented component unit of the West Liberty Community School District, as of and for the year ended June 30, 2011. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Liberty Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2012 on our consideration of West Liberty Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 56 through 58 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Liberty Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2010 (which are not presented herein). We disclaimed an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The financial statements for the three years ended June 30, 2007 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
January 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Liberty Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,164,523 in fiscal 2010 to \$11,599,649 in fiscal 2011, while General Fund expenditures decreased from \$12,034,825 in fiscal 2010 to \$11,760,205 in fiscal 2011. The District's General Fund balance decreased from -\$347,709 in fiscal 2010 to -\$474,749 in fiscal 2011, a 37% decrease.
- The increase in revenues was due primarily to increased state aid revenue. West Liberty experienced a cut in state aid revenue in FY10 in the amount of \$579,458.
- The decrease in expenditures was due primarily to reduction in staffing through attrition or not replacing staff that left the district.
- The District had to use any carryover balance to meet financial obligations and as a result the General Fund balance decreased.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Liberty Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Liberty Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Liberty Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Governmental Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
West Liberty Community School District Annual Financial Report

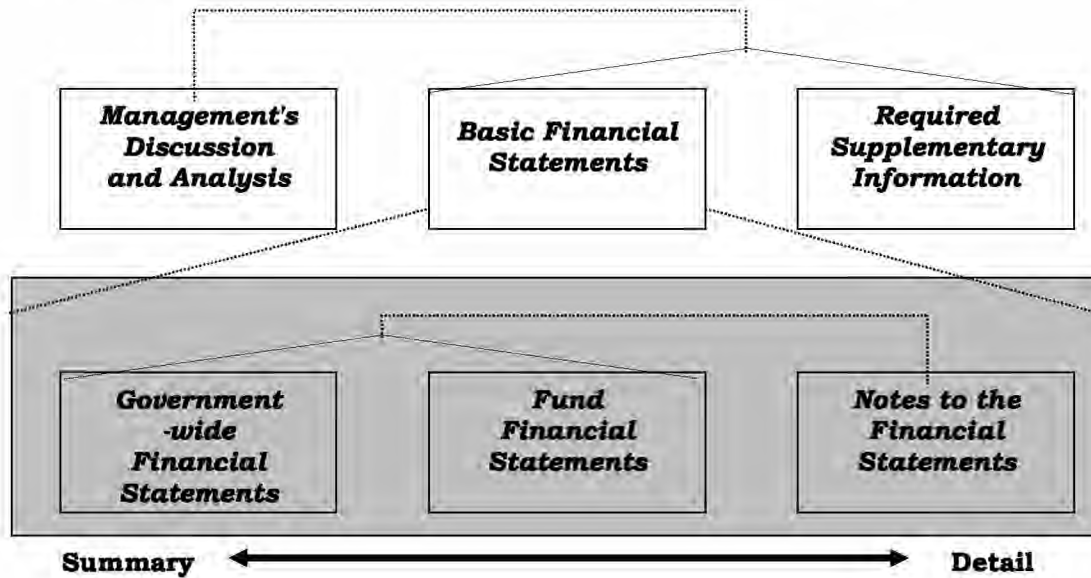


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses such as food services and student construction programs	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into three categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component Unit:* This includes the activities of the West Liberty Community School District Foundation. The District receives significant financial benefits from the Foundation although they are legally separate entities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Student Construction Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other

District programs and activities. The District currently has two Internal Service Funds, the employee partial self-funding health insurance fund and flex-benefit fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for past district employee's on the district's Group Health Insurance Program and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3							
Condensed Statement of Net Assets							
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2011	2010	2011	2010	2011	2010	2010- 2011
Current and other assets	\$ 7,085,586	\$ 6,621,249	\$ 144,618	\$ 129,532	\$ 7,230,204	\$ 6,750,781	7.10%
Capital assets	18,184,753	18,852,126	150,770	164,674	18,335,523	19,016,800	-3.58%
Total assets	25,270,339	25,473,375	295,388	294,206	25,565,727	25,767,581	-0.78%
Long-term obligations	10,275,473	10,714,307	70,724	-	10,296,156	10,714,307	-3.44%
Other liabilities	5,376,654	5,128,318	20,683	96,898	5,447,378	5,225,216	3.29%
Total liabilities	15,652,127	15,842,625	91,407	96,898	15,743,534	15,939,523	-1.23%
Net assets							
Invested in capital assets,							
net of related debt	8,129,753	8,332,126	150,770	164,974	8,280,523	8,497,100	-2.55%
Restricted	1,906,373	1,548,015	-	-	1,906,373	1,548,015	23.15%
Unrestricted	(417,914)	(249,391)	53,211	32,334	(364,703)	(217,057)	-68.02%
Total net assets	\$ 9,618,212	\$ 9,630,750	\$ 203,981	\$ 197,308	\$ 9,822,193	\$ 9,828,058	-0.06%

The District's combined net assets decreased by approximately .06%, or \$5,865 over the prior year. The largest portion of the District's net assets is the investment in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$358,358, or approximately 23% from the prior year. The increase was primarily a result of increasing reserves in the Management Fund for cash flow, PPEL and Capital Projects Funds for future capital expenditures, and Debt Service Fund for bond payments.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$147,646. The District deferred \$245,619 miscellaneous income from Federal Education Jobs Funds to use in 2011-2012. Using the miscellaneous income in FY11 would have helped increase Unrestricted net assets.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4							
Change in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues							
Program revenues							
Charges for service and sales	\$ 338,345	\$ 316,075	\$ 283,780	\$ 192,374	\$ 622,125	\$ 508,449	22.36%
Operating and capital grants	2,524,733	2,679,010	416,847	507,944	2,941,580	3,186,954	-7.70%
General revenues							
Property tax	3,579,932	3,347,042	-	-	3,579,932	3,347,042	6.96%
Income Surtax	645,279	656,921	-	-	645,279	656,921	-1.77%
Sales and services tax	803,370	733,446	-	-	803,370	733,446	9.53%
Unrestricted state grants	5,675,601	5,140,290	-	-	5,675,601	5,140,290	10.41%
Unrestricted investment earnings	27,291	30,319	2,046	341	29,337	30,660	-4.32%
Other	72,067	141,404	-	-	72,067	141,404	-49.03%
Total revenues	13,666,618	13,044,507	702,673	700,659	14,369,291	13,745,166	4.54%
Program expenses							
Governmental activities							
Instruction	8,352,482	8,621,847	-	-	8,352,482	8,621,847	-3.12%
Support services	3,428,684	3,490,095	50,120	29,138	3,478,804	3,519,233	-1.15%
Non-instructional programs	8,579	14,754	645,880	558,530	654,459	573,284	14.16%
Other expenses	1,889,411	1,597,372	-	-	1,889,411	1,597,372	18.28%
Loss on disposal of capital assets	-	-	-	-	-	-	0.00%
Total expenses	13,679,156	13,724,068	696,000	587,668	14,375,156	14,311,736	0.44%
Change in net assets before transfers	(12,538)	(679,561)	6,673	112,991	(5,865)	(566,570)	98.96%
Transfers	-	-	-	-	-	-	0.00%
Change in net assets	\$ (12,538)	\$ (679,561)	\$ 6,673	\$ 112,991	\$ (5,865)	\$ (566,570)	98.96%

In fiscal 2011, property tax and unrestricted state grants account for 68% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.7% of the revenue from business type activities.

The District's total revenues were \$14,369,291 of which \$13,666,618 was for governmental activities and \$702,673 was for business type activities. Revenues increased due to increased State Aid revenues over FY2010.

Governmental Activities

Revenues for governmental activities were \$13,666,618 and expenses were \$13,679,156.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

	Figure A-5					
	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
			Change			Change
	2011	2010	2010-2011	2011	2010	2010-2011
Instruction	\$ 8,352,482	\$ 8,621,847	-3.1%	\$ 6,150,025	\$ 6,228,515	-1.3%
Support services	3,428,684	3,490,095	-1.8%	3,385,072	3,438,607	-1.6%
Non-instructional programs	8,579	14,754	-41.9%	8,579	14,754	-41.9%
Other expenses	1,889,411	1,597,372	18.3%	1,272,402	1,047,107	21.5%
Total expenses	\$ 13,679,156	\$ 13,724,068	-0.3%	\$ 10,816,078	\$ 10,728,983	0.8%

- The cost financed by users of the District's programs (Charges for Services) was \$338,345, an increase of 7% from 2010.
- Federal and state governments subsidized certain programs with operating and capital grants and contributions totaling \$2,524,733, an decrease of 6% from 2010.
- The net cost of governmental activities was financed with \$5,028,581 in property and other taxes and \$5,675,601 in unrestricted state grants, an increase of 6% and 10%, respectively, from 2010.

Business Type Activities

Revenues for business type activities were \$702,673 representing a .3% increase from the prior year while expenses totaled \$696,000, an 18% increase over the prior year. The District's business type activities include the School Nutrition Fund and Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income. The 2008-09 student built home, a remodel home, was sold on contract during February, 2011 for \$71,000. The district receives monthly principal and interest payments from the buyer at 7% interest. A balloon payment is due in March, 2016.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Liberty Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,084,001, higher than last year's ending fund balances of \$899,614. The fluctuation in the District's governmental funds is the product of many factors. The District increased reserves in the Management Fund for cash flow, PPEL and Capital Projects Funds for future capital expenditures, and Debt Service Fund for bond payments.

Governmental Fund Highlights

- The General Fund balance decreased from (\$347,709) to (\$474,749). The District deferred \$245,619 miscellaneous income from Federal Education Jobs Funds to use in 2011-2012. Using the miscellaneous income in FY11 would have helped increase the General Fund balance.
- The Capital Projects Fund balance decreased by \$167,325 with no major construction projects in progress.

Proprietary Fund Highlights

Proprietary Fund net assets increased from \$197,308 at June 30, 2010 to \$203,981 at June 30, 2011, representing an increase of 3%. Proprietary Funds included the School Nutrition Fund and Student Built Home Construction Fund. The 2008-09 student built home, a remodel home, was sold on contract in February, 2011.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Liberty Community School District amended its annual budget one time by \$4,678,372 to reflect Federal ARRA and other miscellaneous grant expenditures, and for re-financing \$4,430,000 in General Obligation Bonds.

The District's revenues were \$5,794 less than budgeted revenues, a variance of less than 1.0%.

Total expenditures were \$5,078,662 less than budgeted. It is the District's practice to budget the anticipated revenues and expenditures on a yearly basis, always over estimating expenditures. The functional category of Total Support Services expenditures were not estimated high enough.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$18 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a small net decrease from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$866,161.

The original cost of the District's capital assets was \$27.6 million. Governmental funds account for \$27.2 million, with the remainder of \$375,938 accounted for in the Proprietary, School Nutrition Fund.

In fiscal year 2011, the District started depreciating a major addition and renovation project to the Administrative/Early Childhood Center for a 6-8 Middle School and renovations to what was the K-2 Elementary School for an Administrative/Early Learning Center. This was the main factor in the reduction in Net Capital Assets. In addition, the district traded in 3 older fully depreciated buses and purchased one new bus.

Figure A-6								
Capital Assets, Net of Depreciation								
Asset	Governmental		Business-type		Total		Total	
Category	Activities		Activities		School District		Change	
	2011	2010	2011	2010	2011	2010	2010-	2011
Land	\$ 462,833	\$ 462,833	\$ -	\$ -	\$ 462,833	\$ 462,833		0.00%
Construction in progress	83,052	77,070	-	-	83,052	77,070		7.76%
Buildings and improvements	16,208,495	16,840,694	-	-	16,208,495	16,840,694		-3.75%
Improvements, other than building	861,250	957,190	-	-	861,250	957,190		-10.02%
Furniture and equipment	569,123	514,339	150,770	164,974	719,893	679,313		5.97%
Totals	\$ 18,184,753	\$ 18,852,126	\$ 150,770	\$ 164,974	\$ 18,335,523	\$ 19,017,100		-3.58%

Long-Term Debt

At June 30, 2011 the District's governmental activities had \$10,275,473 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 8 to the financial statements.

The Revenue Bond Anticipation Notes were issued for the completion of the Middle School Addition/Renovations and Administration/Early Learning Center Renovations Projects. The district will issue Revenue Bonds in the amount of \$1,535,000 during fiscal year 2012 to pay off the Bond Anticipation Notes due July 1, 2012.

Figure A-7			
Outstanding Long-term Obligations			
	Total		Total
	School District		Change
	2011	2010	2011-2010
General obligation bonds	\$ 4,645,000	\$ 4,815,000	-3.53%
Revenue bonds	4,125,000	4,420,000	-6.67%
Bond Anticipation Notes	1,285,000	1,285,000	0.00%
Early retirement	33,334	74,419	-55.21%
Compensated absences	43,139	47,888	-9.92%
Net OPEB liability	144,000	72,000	100.00%
Total	\$ 10,275,473	\$ 10,714,307	-4.10%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The West Liberty CSD has another modest increase in enrollment for FY2013 budgeting. Projections show a slight decrease in FY2014 then increasing through 2017. The increases are mainly due to lower graduating classes in the 70-80's and kindergarten classes in the 90-100's. This is projected to level off in 3-5 years.
- The deficit spending in the General Fund has been addressed in a variety of methods while still maintaining an environment for student learning and achievement. Reduction by attrition will provide saving in FY2012 with two secondary staff that left were not replaced.
- The District negotiated two furlough days in FY2011 and FY2012 with the West Liberty Education Association (WLEA). Starting in fiscal year 2011 the Board and WLEA agreed on changing insurance limits by increasing deductibles, co-pays, and prescription drug plan in order to save on increasing insurance costs.
- Our student data continues to show a growth in Hispanic population that will significantly impact the need for increased remedial programs for reading, At-Risk, and ESL/Dual Language.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tom Anderson, Business Manager and Board Secretary/Treasurer, West Liberty Community School District, 111 W 7th St, West Liberty, Iowa, 52776.

Basic Financial Statements

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Foundation
Assets				
Cash and pooled investments	\$ 2,290,856	\$ 58,642	\$ 2,349,498	\$ 237,507
Investments	-	-	-	425,582
Receivables:				
Property tax:				
Current year	66,422	-	66,422	-
Succeeding year	3,706,690	-	3,706,690	-
Income surtax	641,704	-	641,704	-
Accounts	37,235	-	37,235	-
Due from other governments	335,261	3,257	338,518	-
Inventories	-	11,875	11,875	-
Prepaid expenses	7,418	-	7,418	-
Contract receivable (note 5)	-	70,844	70,844	-
Capital assets, net of accumulated depreciation (note 6)	18,184,753	150,770	18,335,523	-
Total assets	25,270,339	295,388	25,565,727	663,089
Liabilities				
Accounts payable	288,416	3,215	291,631	-
Salaries and benefits payable	994,046	8,845	1,002,891	-
Due to other governments	9,437	-	9,437	-
Accrued interest payable	122,276	-	122,276	-
Deferred revenue:				
Succeeding year property tax	3,706,690	-	3,706,690	-
Other	255,789	8,623	264,412	-
Long-term liabilities (note 8):				
Portion due within one year:				
Early retirement	16,666	-	16,666	-
Bonds payable	720,000	-	720,000	-
Compensated absences	43,139	-	43,139	-
Promissory note payable	-	1,118	1,118	-
Portion due after one year:				
Early retirement	16,668	-	16,668	-
Bonds payable	8,050,000	-	8,050,000	-
Notes payable	1,285,000	-	1,285,000	-
Net OPEB liability	144,000	-	144,000	-
Promissory note payable	-	69,606	69,606	-
Total liabilities	15,652,127	91,407	15,743,534	-

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Foundation
Net Assets				
Invested in capital assets, net of related debt	\$ 8,129,753	\$ 150,770	\$ 8,280,523	\$ -
Restricted for:				
Categorical funding (note 13)	203,771	-	203,771	-
Management levy	60,082	-	60,082	-
Physical plant and equipment levy	512,817	-	512,817	-
Student activities	58,008	-	58,008	-
Debt service	767,638	-	767,638	-
Capital projects	304,057	-	304,057	-
Unrestricted	(417,914)	53,211	(364,703)	663,089
Total net assets	\$ 9,618,212	\$ 203,981	\$ 9,822,193	\$ 663,089

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 8,352,482	\$ 320,138	\$ 1,882,319	\$ -
Support services:				
Student services	363,077	-	4,750	-
Instructional staff services	573,456	7,286	20,058	-
Administration services	1,220,780	-	-	-
Operation and maintenance of plant services	876,441	9,597	-	-
Transportation services	394,930	1,324	597	-
	3,428,684	18,207	25,405	-
Non-instructional programs	8,579	-	-	-
Other expenditures:				
Facilities acquisition	88,580	-	-	136,508
Debt service	574,034	-	-	-
AEA flowthrough	480,501	-	480,501	-
Depreciation (unallocated) *	746,296	-	-	-
	1,889,411	-	480,501	136,508
Total governmental activities	13,679,156	338,345	2,388,225	136,508
Business-Type Activities:				
Support services:				
Administration services	13,534	-	-	-
Operation and maintenance of plant services	36,586	-	-	-
	50,120	-	-	-
Non-instructional programs:				
Food service operations	570,684	208,780	409,897	-
Student construction operations	75,196	75,000	6,950	-
	645,880	283,780	416,847	-
Total business-type activities	696,000	283,780	416,847	-
Total primary government	\$ 14,375,156	\$ 622,125	\$ 2,805,072	\$ 136,508

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Foundation
\$ (6,150,025)	\$ -	\$ (6,150,025)	\$ -
(358,327)	-	(358,327)	-
(546,112)	-	(546,112)	-
(1,220,780)	-	(1,220,780)	-
(866,844)	-	(866,844)	-
(393,009)	-	(393,009)	-
(3,385,072)	-	(3,385,072)	-
(8,579)	-	(8,579)	-
47,928	-	47,928	-
(574,034)	-	(574,034)	-
-	-	-	-
(746,296)	-	(746,296)	-
(1,272,402)	-	(1,272,402)	-
(10,816,078)	-	(10,816,078)	-
-	(13,534)	(13,534)	-
-	(36,586)	(36,586)	-
-	(50,120)	(50,120)	-
-	47,993	47,993	-
-	6,754	6,754	-
-	54,747	54,747	-
-	4,627	4,627	-
(10,816,078)	4,627	(10,811,451)	-

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component Unit:				
Foundation	\$ 57,610	\$ -	\$ -	\$ -

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
 Income surtax
 Statewide sales, services and use tax
 Unrestricted state and federal grants
 Unrestricted investment earnings
 Contributions and donations
 Other
 Increase in fair value of investments

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
 in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Foundation
\$ -	\$ -	\$ -	\$ 57,610
\$ 3,221,673	\$ -	\$ 3,221,673	\$ -
265,119	-	265,119	-
93,140	-	93,140	-
645,279	-	645,279	-
803,370	-	803,370	-
5,675,601	-	5,675,601	-
27,291	2,046	29,337	2,524
-	-	-	63,883
72,067	-	72,067	-
-	-	-	76,363
10,803,540	2,046	10,805,586	142,770
(12,538)	6,673	(5,865)	85,160
9,630,750	197,308	9,828,058	577,929
\$ 9,618,212	\$ 203,981	\$ 9,822,193	\$ 663,089

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 801,912	\$ 784,891	\$ 598,550	\$ 2,185,353
Receivables:				
Property tax:				
Current year	56,273	1,750	8,399	66,422
Succeeding year	3,200,598	105,503	400,589	3,706,690
Income surtax	342,242	299,462	-	641,704
Interfund receivable (note 4)	250	-	-	250
Accounts	35,346	-	1,889	37,235
Due from other governments	131,950	203,311	-	335,261
Prepaid expenses	7,151	267	-	7,418
Total assets	<u>\$ 4,575,722</u>	<u>\$ 1,395,184</u>	<u>\$ 1,009,427</u>	<u>\$ 6,980,333</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	249,622	\$ 34,790	\$ 4,004	\$ 288,416
Salaries and benefits payable	992,783	781	482	994,046
Due to other governments	9,437	-	-	9,437
Interfund payable (note 4)	-	-	250	250
Deferred revenue:				
Succeeding year property tax	3,200,598	105,503	400,589	3,706,690
Other	598,031	299,462	-	897,493
Total liabilities	5,050,471	440,536	405,325	5,896,332
Fund balances:				
Nonspendable:				
Prepaid expenses	7,151	267	-	7,418
Restricted for:				
Categorical funding (note 13)	203,771	-	-	203,771
Revenue bonds	-	412,500	-	412,500
Revenue bonds sinking fund	-	-	438,200	438,200
Debt service	-	-	14,478	14,478
Management levy purposes	-	-	93,416	93,416
Student activities	-	-	58,008	58,008
School infrastructure	-	328,793	-	328,793
Physical plant and equipment	-	213,088	-	213,088
Unassigned	(685,671)	-	-	(685,671)
Total fund balances	(474,749)	954,648	604,102	1,084,001
Total liabilities and fund balances	\$ 4,575,722	\$ 1,395,184	\$ 1,009,427	\$ 6,980,333

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2011

Total fund balances of governmental funds	\$ 1,084,001
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	18,184,753
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	641,704
The Internal Service Fund is used to charge the costs of the flexible benefits plan and the partial self-funded insurance plan to the governmental funds and is therefore included in governmental activities.	105,503
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(122,276)
Long-term liabilities, including early retirement, bonds and notes payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(10,275,473)</u>
Net assets of governmental activities	<u>\$ 9,618,212</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,335,401	\$ 1,195,445	\$ 449,007	\$ 4,979,853
Tuition	142,119	-	-	142,119
Other	211,137	91,342	185,278	487,757
State sources	7,103,771	7,264	176	7,111,211
Federal sources	807,221	57,559	-	864,780
Total revenues	11,599,649	1,351,610	634,461	13,585,720
Expenditures:				
Current:				
Instruction	8,052,598	-	195,011	8,247,609
Support services:				
Student services	359,074	-	913	359,987
Instructional staff services	569,425	-	10,725	580,150
Administration services	1,180,637	24,624	2,827	1,208,088
Operation and maintenance of plant services	781,624	-	90,706	872,330
Transportation services	327,767	80,504	21,586	429,857
	3,218,527	105,128	126,757	3,450,412
Non-instructional programs	8,579	-	-	8,579
Other expenditures:				
Facilities acquisition	-	192,023	-	192,023
Long term debt:				
Principal	-	-	600,000	600,000
Interest and fiscal charges	-	-	521,896	521,896
AEA flowthrough	480,501	-	-	480,501
	480,501	192,023	1,121,896	1,794,420
Total expenditures	11,760,205	297,151	1,443,664	13,501,020
Excess (deficiency) of revenues over (under) expenditures	(160,556)	1,054,459	(809,203)	84,700

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Sale of equipment	\$ 3,000	\$ -	\$ -	\$ 3,000
Compensation for loss of capital assets	29,883	-	-	29,883
Interfund transfers in (note 3)	2,216	5,000	1,226,840	1,234,056
Interfund transfers out (note 3)	(1,583)	(1,226,784)	(5,689)	(1,234,056)
Anticipatory warrants issued (note 7)	1,415,000	-	-	1,415,000
Anticipatory warrants redeemed (note 7)	(1,415,000)	-	-	(1,415,000)
General obligation bonds issued	-	-	4,430,000	4,430,000
Payments to escrow agent	-	-	(4,363,196)	(4,363,196)
Total other financing sources (uses)	<u>33,516</u>	<u>(1,221,784)</u>	<u>1,287,955</u>	<u>99,687</u>
Net change in fund balances	(127,040)	(167,325)	478,752	184,387
Fund balances beginning of year, as restated (note 14)	<u>(347,709)</u>	<u>1,121,973</u>	<u>125,350</u>	<u>899,614</u>
Fund balances end of year	<u>\$ (474,749)</u>	<u>\$ 954,648</u>	<u>\$ 604,102</u>	<u>\$ 1,084,001</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 184,387

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 180,747	
Depreciation expense	<u>(848,120)</u>	(667,373)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 47,336

The change in net assets of the Internal Service Fund is included in governmental activities due to the integral nature of these activities to the governmental funds. (31,780)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (4,430,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 4,895,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 16,058

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	41,085	
Compensated absences	4,749	
Net OPEB liability	<u>(72,000)</u>	<u>(26,166)</u>

Change in net assets of governmental activities \$ (12,538)

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Enterprise			Internal
	School	Nonmajor	Total	Service
	Nutrition			
Assets				
Cash and cash equivalents	\$ 58,208	\$ 434	\$ 58,642	\$ 105,503
Due from other governments	3,257	-	3,257	-
Inventories	11,875	-	11,875	-
Contract receivable (note 5)	-	70,844	70,844	-
Capital assets, net of accumulated depreciation (note 6)	150,770	-	150,770	-
Total assets	<u>224,110</u>	<u>71,278</u>	<u>295,388</u>	<u>105,503</u>
Liabilities				
Accounts payable	3,215	-	3,215	-
Salaries and benefits payable	8,845	-	8,845	-
Deferred revenue	8,623	-	8,623	-
Promissory note payable (note 8)	-	70,724	70,724	-
Total liabilities	<u>20,683</u>	<u>70,724</u>	<u>91,407</u>	<u>-</u>
Net Assets				
Invested in capital assets	150,770	-	150,770	-
Unrestricted:				
Food services	52,657	-	52,657	-
Student construction	-	554	554	-
Partial self-funded insurance plan	-	-	-	95,400
Flex benefits	-	-	-	10,103
Total net assets	<u>\$ 203,427</u>	<u>\$ 554</u>	<u>\$ 203,981</u>	<u>\$ 105,503</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise			Internal
	School Nutrition	Nonmajor	Total	Service
Operating revenues:				
Local sources:				
Charges for services	\$ 208,780	\$ 75,000	\$ 283,780	\$ 140,483
Operating expenses:				
Support services:				
Administration services	5,835	7,699	13,534	-
Operation and maintenance of plant services	36,586	-	36,586	-
Non-instructional programs	570,684	75,196	645,880	172,942
	<u>613,105</u>	<u>82,895</u>	<u>696,000</u>	<u>172,942</u>
Operating loss	(404,325)	(7,895)	(412,220)	(32,459)
Non-operating revenues:				
Interest	392	1,654	2,046	679
Contributions	-	6,950	6,950	-
State sources	8,091	-	8,091	-
Federal sources	401,806	-	401,806	-
Total non-operating revenues	<u>410,289</u>	<u>8,604</u>	<u>418,893</u>	<u>679</u>
Change in net assets	5,964	709	6,673	(31,780)
Net assets beginning of year	<u>197,463</u>	<u>(155)</u>	<u>197,308</u>	<u>137,283</u>
Net assets end of year	<u>\$ 203,427</u>	<u>\$ 554</u>	<u>\$ 203,981</u>	<u>\$ 105,503</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise			Internal
	School Nutrition	Nonmajor	Total	Service
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 203,923	\$ -	\$ 203,923	\$ -
Cash received from miscellaneous operating activities	2,133	4,156	6,289	140,483
Cash payments to employees for services	(300,622)	-	(300,622)	(172,942)
Cash payments to suppliers for goods or services	(257,117)	(5,067)	(262,184)	-
Net cash used by operating activities	<u>(351,683)</u>	<u>(911)</u>	<u>(352,594)</u>	<u>(32,459)</u>
Cash flows from non-capital financing activities:				
State grants received	8,091	-	8,091	-
Federal grants received	366,530	-	366,530	-
Contributions received	-	6,950	6,950	-
Promissory note repayments	-	(363)	(363)	-
Net cash provided by non-capital financing activities	<u>374,621</u>	<u>6,587</u>	<u>381,208</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	<u>(4,456)</u>	<u>-</u>	<u>(4,456)</u>	<u>-</u>
Cash flows from investing activities:				
Interest	<u>392</u>	<u>1,654</u>	<u>2,046</u>	<u>679</u>
Net increase (decrease) in cash and cash equivalents	18,874	7,330	26,204	(31,780)
Cash and cash equivalents beginning of year	<u>39,334</u>	<u>(6,896)</u>	<u>32,438</u>	<u>137,283</u>
Cash and cash equivalents end of year	<u>\$ 58,208</u>	<u>\$ 434</u>	<u>\$ 58,642</u>	<u>\$ 105,503</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise			Internal
	School Nutrition	Nonmajor	Total	Service
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (404,325)	\$ (7,895)	\$ (412,220)	\$ (32,459)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	18,041	-	18,041	-
Loss on disposal of equipment	619	-	619	-
Commodities used	37,588	-	37,588	-
Decrease in accounts receivable	42	-	42	-
Decrease in inventories	344	78,964	79,308	-
(Increase) in contract receivable	-	(70,844)	(70,844)	-
(Decrease) in accounts payable	(4,416)	-	(4,416)	-
Increase in salaries and benefits payable	3,190	-	3,190	-
(Decrease) in interest payable	-	(1,136)	(1,136)	-
(Decrease) in deferred revenue	(2,766)	-	(2,766)	-
Net cash used by operating activities	\$ <u>(351,683)</u>	\$ <u>(911)</u>	\$ <u>(352,594)</u>	\$ <u>(32,459)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$37,588 of federal commodities.

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2011

	<u>Agency</u>
Assets:	
Cash	\$ <u>6,439</u>
Liabilities:	
Other payables	\$ <u>6,439</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2011

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	<u>400</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>400</u>
Change in net assets		-
Net assets beginning of year		<u>-</u>
Net assets end of year	\$	<u><u>-</u></u>
See notes to financial statements.		

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

West Liberty Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. The geographic area served includes the Cities of West Liberty, Atalissa, and Nichols, Iowa, and agricultural territory in Muscatine, Cedar, and Johnson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Liberty Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. West Liberty Community School District has one component unit which meets the Governmental Accounting Standards Board criteria.

The financial statements present the West Liberty Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

The West Liberty Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation financial statements are shown on the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Report, the Foundation financial statements have not been audited.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Muscatine and Cedar County Assessor's Conference Boards.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2011 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets (continued)

Asset Class	Amount
Land	\$ 2,500
Buildings	25,000
Improvements other than buildings	25,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Improvements other than buildings	15 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental funds consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue for governmental activities in the Statement of Net Assets consists of unspent grant proceeds and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenues.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the support services function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 2. Cash and Pooled Investments (continued)

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>443,954</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Component Unit Investments – The Foundation had investments in mutual funds as follows:

	<u>Fair Value</u>
Mutual Funds	\$ <u>425,582</u>

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue - Student Activity	\$ 689
	Capital Projects	1,527
Capital Projects	Special Revenue - Student Activity	5,000
Special Revenue - Student Activity	General	1,583
Debt Service	Capital Projects	<u>1,225,257</u>
Total		<u>\$ 1,234,056</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Interfund Receivables and Payables

At June 30, 2011, interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund balances between governmental funds:		
Pooled cash balances:		
General	Special Revenue - Management Levy	\$ <u>250</u>

Pooled cash balances are temporary financing between funds which is necessary due to timing differences of expected revenues and the related expenses. These balances are not included on the District-wide Statement of Net Assets.

Note 5. Contract Receivable

At June 30, 2011, the District has a long-term contract receivable for the sale of the student construction house. The contract requires monthly payments of \$472.36 and includes interest at 7%. A summary of the payment schedule is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 817	\$ 4,851	\$ 5,668
2013	792	4,876	5,668
2014	849	4,819	5,668
2015	910	4,758	5,668
2016	<u>67,476</u>	<u>3,526</u>	<u>71,002</u>
	\$ <u>70,844</u>	\$ <u>22,830</u>	\$ <u>93,674</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 462,833	\$ -	\$ -	\$ 462,833
Construction in progress	77,070	103,443	97,461	83,052
Total capital assets not being depreciated	<u>539,903</u>	<u>103,443</u>	<u>97,461</u>	<u>545,885</u>
Capital assets being depreciated:				
Buildings	23,543,844	-	-	23,543,844
Improvements other than buildings	1,471,267	-	-	1,471,267
Furniture and equipment	1,636,970	174,765	129,184	1,682,551
Total capital assets being depreciated	<u>26,652,081</u>	<u>174,765</u>	<u>129,184</u>	<u>26,697,662</u>
Less accumulated depreciation for:				
Buildings	6,703,150	632,199	-	7,335,349
Improvements other than buildings	514,077	95,940	-	610,017
Furniture and equipment	1,122,631	119,981	129,184	1,113,428
Total accumulated depreciation	<u>8,339,858</u>	<u>848,120</u>	<u>129,184</u>	<u>9,058,794</u>
Total capital assets being depreciated, net	<u>18,312,223</u>	<u>(673,355)</u>	<u>-</u>	<u>17,638,868</u>
Governmental activities capital assets, net	<u>\$ 18,852,126</u>	<u>\$ (569,912)</u>	<u>\$ 97,461</u>	<u>\$ 18,184,753</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 374,231	\$ 4,456	\$ 2,749	\$ 375,938
Less accumulated depreciation	<u>209,257</u>	<u>18,041</u>	<u>2,130</u>	<u>225,168</u>
Business-type activities capital assets, net	<u>\$ 164,974</u>	<u>\$ (13,585)</u>	<u>\$ 619</u>	<u>\$ 150,770</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 53,055
Support services:	
Student services	196
Instructional staff services	298
Administration services	1,452
Operation and maintenance of plant services	4,285
Transportation services	42,538
	<u>101,824</u>
Unallocated depreciation	<u>746,296</u>
Total governmental activities depreciation expense	<u>\$ 848,120</u>

Business-type activities:

Food service operations	<u>\$ 18,041</u>
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Note 7. Short-Term Liabilities

During the year ended June 30, 2011, the District had two outstanding short-term bank loans for the Enterprise, Student Construction Fund. The loans were necessary to provide temporary financing during periods of low cash flows. One loan was for \$36,087 entered into on November 11, 2008. This loan was due in November 2009 but was extended until September 30, 2010 and includes interest at 3.25%. The other loan is a line of credit with a maximum possible principal of \$35,000, of which \$22,520 was advanced during the year ended June 30, 2009 and the balance of \$12,480 in the year ended June 30, 2010. The line of credit includes interest at 3.25%.

During the year ended June 30, 2011, the District issued \$1,415,000 of anticipatory warrants. The anticipatory warrants were necessary to provide temporary financing during periods of low cash flows in the General Fund and included interest at 5%.

A summary of the short-term debt activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Loans Received	Loans Repaid	Balance End of Year
Bank loans	\$ <u>71,087</u>	\$ <u>-</u>	\$ <u>71,087</u>	\$ <u>-</u>
Anticipatory warrants	\$ <u>-</u>	\$ <u>1,415,000</u>	\$ <u>1,415,000</u>	\$ <u>-</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 8. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 74,419	\$ -	\$ 41,085	\$ 33,334	\$ 16,666
General obligation bonds	4,815,000	4,430,000	4,600,000	4,645,000	370,000
Revenue bonds	4,420,000	-	295,000	4,125,000	350,000
Revenue bond anticipation notes	1,285,000	-	-	1,285,000	-
Compensated absences	47,888	43,139	47,888	43,139	43,139
Net OPEB liability	72,000	72,000	-	144,000	-
Total	<u>\$ 10,714,307</u>	<u>\$ 4,545,139</u>	<u>\$ 4,983,973</u>	<u>\$ 10,275,473</u>	<u>\$ 779,805</u>
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business-type activities:					
Promissory note	<u>\$ -</u>	<u>\$ 71,087</u>	<u>\$ 363</u>	<u>\$ 70,724</u>	<u>\$ 1,118</u>

Early Retirement

For the year ended June 30, 2010 only, the District offered a one-time retirement plan to all certified employees with at least 20 years of service to the District. The early retirement benefit was equal to 50% of the employee's base salary subject to a maximum of \$25,000 per individual. Early retirement benefits will be paid in three equal annual installments beginning January 2011 into a 401(a)/403(b) plan.

Early retirees may also continue participation in the District's health care plan at the employee's own expense as long as the employee qualifies to be covered by the District's carrier.

At June 30, 2011, the District has obligations to two participants with a total liability of \$33,334. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$41,085. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 8. Long-Term Liabilities (continued)

General Obligation Bonds

On September 1, 2010, the District issued \$4,430,000 of general obligation bonds with interest rates of 1.0% to 3.2%. The bonds were used to advance refund the December 1, 2002 general obligation bonds with interest rates from 4.0% to 4.8% on the June 1, 2011 call date. As a result of the refunding, the District reduced its debt service requirements by \$430,973, with a net present value savings of \$369,659.

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated October 1, 1997			Issue dated September 1, 2010		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2012	5.00 %	\$ 215,000	\$ 10,750	1.00 %	\$ 155,000	\$ 101,323
2013	-	-	-	1.10	390,000	99,772
2014	-	-	-	1.35	395,000	95,483
2015	-	-	-	1.70	405,000	90,150
2016	-	-	-	2.00	410,000	83,265
2017-2021	-	-	-	2.25-3.10	2,195,000	268,285
2022	-	-	-	3.20	480,000	15,360
		<u>\$ 215,000</u>	<u>\$ 10,750</u>		<u>\$ 4,430,000</u>	<u>\$ 753,638</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2012	\$ 370,000	\$ 112,073	\$ 482,073
2013	390,000	99,772	489,772
2014	395,000	95,483	490,483
2015	405,000	90,150	495,150
2016	410,000	83,265	493,265
2017-2021	2,195,000	268,285	2,463,285
2022	480,000	15,360	495,360
	<u>\$ 4,645,000</u>	<u>\$ 764,388</u>	<u>\$ 5,409,388</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 8. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2011 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated June 26, 2008			
	Interest Rates	Principal	Interest	Total
2012	4.50 %	\$ 350,000	\$ 168,525	\$ 518,525
2013	4.50	355,000	152,663	507,663
2014	4.50	370,000	136,351	506,351
2015	4.50	390,000	119,251	509,251
2016	4.50	400,000	101,476	501,476
2017-2021	4.00-4.50	2,260,000	234,438	2,494,438
		<u>\$ 4,125,000</u>	<u>\$ 912,704</u>	<u>\$ 5,037,704</u>

The District pledged future local option (statewide) sales and services tax revenues to repay the \$4,125,000 bonds issued in June 2008 and the \$1,285,000 revenue bond anticipation notes issued in August 2009. The bonds and notes were issued for the purpose of financing a portion of the costs of various school infrastructure projects. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2021. The notes are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and any future issuances of school infrastructure sales, services and use tax revenue bonds and are payable through 2012. The bonds and notes are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds and notes are expected to require approximately 60 percent to 225 percent the year the notes are due of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds and notes is \$6,396,913. For the current year, \$528,248 of principal and interest was paid on the bonds and notes and total statewide sales and services tax revenues were \$803,370.

The resolution providing for the issuance of the school infrastructure local option sales and services tax revenue bonds include the following provisions:

- a) \$412,500 of the proceeds from the issuances of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Accounts. The balance of the proceeds shall be deposited in the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Sufficient monthly deposits amounting to one twelfth of the next principal and one sixth of the next interest payment shall be made to the Local Option Sales and Services Tax Revenue Bond and Interest Sinking Fund for the purpose of making the bond principal and interest payments when due.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 8. Long-Term Liabilities (continued)

School Infrastructure Sales, Services and Use Tax Revenue Bond Anticipation Project Notes

Details of the District's June 30, 2011 revenue bond anticipation notes indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	- %	\$ -	\$ 49,473	\$ 49,473
2013	3.85	1,285,000	24,736	1,309,736
		<u>\$ 1,285,000</u>	<u>\$ 74,209</u>	<u>\$ 1,359,209</u>

Promissory Note

In March 2011, the District entered into a promissory note agreement for \$71,087.13. The note repaid the two outstanding short-term bank loans (note 7). The note calls for monthly payments of \$383.79 and includes interest at 5% until March 5, 2016, after which time the interest rate may change. The interest rate will be adjusted to the Wall Street Journal U.S. Prime Rate plus 1.75 percent, but not less than 5%, on March 5, 2016 and every five years thereafter. Any interest rate change would also change the required monthly payment. The note is secured by a mortgage on the student construction house.

Details of the District's June 30, 2011 promissory note indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,118	\$ 3,487	\$ 4,605
2013	1,102	3,503	4,605
2014	1,159	3,446	4,605
2015	1,219	3,386	4,605
2016	1,274	3,331	4,605
2017-2021	7,472	15,556	23,028
2022-2026	9,623	13,405	23,028
2027-2031	12,394	10,634	23,028
2032-2036	15,959	7,069	23,028
2037-2041	19,404	2,472	21,876
	<u>\$ 70,724</u>	<u>\$ 66,289</u>	<u>\$ 137,013</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 9. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 149 active and 11 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 88,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	<u>(8,000)</u>
Annual OPEB cost	82,000
Contributions made	<u>(10,000)</u>
Increase in net OPEB obligation	72,000
Net OPEB obligation beginning of year	<u>72,000</u>
Net OPEB obligation end of year	<u><u>\$ 144,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$10,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 82,000	12.2%	\$ 144,000

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 9. Other Postemployment Benefits (OPEB) (continued)

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$446,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$446,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,311,000, and the ratio of the UAAL to covered payroll was 6.1%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 10. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$483,156, \$416,102, and \$416,981, respectively, equal to the required contributions for each year.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 11. Risk Management

West Liberty Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Partial Self-funded Health Insurance

The District utilizes a partial self-funded/partial fully funded health insurance plan. The District purchases a base plan from Wellmark with a \$750 single and \$1,500 family deductible and \$1,500 single and \$3,000 family out of pocket maximums. The District partial self-funds down to a \$250 single and \$500 family deductible plan with a maximum out of pocket of \$500 for single and \$1,000 for family. Payments to Wellmark are made for the premiums and deposits into the Internal Service Fund are made monthly for the self-funded portion. The self-funded plan deposits and the independent administrator funds/pays for the claim exposure between the two, or \$1,000 for single and \$2,000 for family. After the total exposure has been maximized, the fully-funded carrier pays 100%. The District estimates that 25% of those covered will reach full maximum exposure.

At June 30, 2011, the District had accumulated \$95,400 in its Internal Service Fund to cover employee health care claims. Also, the District continues to fund this plan by depositing premiums into the account on a monthly basis. All submitted claims had been paid or accrued at June 30, 2011. The District is contingently liable for any claims in excess of funds available at June 30, 2011.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported which represent estimates of the eventual loss on claims arising prior to year-end. Claims liabilities are reported in the financial statements in other current liabilities. There was no liability reported for unpaid claims in the past three fiscal years.

Note 12. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$480,501 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 13. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented programs	\$ 4,302
Returning dropouts and dropout prevention programs	85,977
Four-year-old preschool state aid	75,967
Beginning teacher mentoring and induction	6,522
Professional development for model core curriculum	6,037
Professional development	<u>24,966</u>
Total	<u>\$ 203,771</u>

Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 977,141	\$ 144,832
Change in fund type classification per implementation of GASB Statement No. 54	<u>144,832</u>	<u>(144,832)</u>
Balances July 1, 2010, as restated	<u>\$ 1,121,973</u>	<u>\$ -</u>

Note 15. Subsequent Event

In June 2011, the District approved the issuance of up to \$2,000,000 in anticipatory warrants to be drawn down as needed. The anticipatory warrants will be used to cover the cumulative cash flow deficit in the General Fund in order to pay when due the legal obligations of the District. The District has drawn down a total of \$943,000 in July, August, and September 2011. The warrants are due on July 15, 2012 and include interest at 4%.

Required Supplementary Information

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 5,609,729	\$ 292,776	\$ 5,902,505	\$ 5,640,117	\$ 5,640,117	\$ 262,388
State sources	7,111,211	8,091	7,119,302	7,708,501	7,708,501	(589,199)
Federal sources	864,780	401,806	1,266,586	945,569	945,569	321,017
Total revenues	13,585,720	702,673	14,288,393	14,294,187	14,294,187	(5,794)
EXPENDITURES/EXPENSES:						
Instruction	8,247,609	-	8,247,609	7,970,133	8,690,745	443,136
Support services	3,450,412	50,120	3,500,532	3,268,202	3,407,668	(92,864)
Non-instructional programs	8,579	645,880	654,459	670,597	670,597	16,138
Other expenditures	1,794,420	-	1,794,420	2,688,378	6,506,672	4,712,252
Total expenditures/expenses	13,501,020	696,000	14,197,020	14,597,310	19,275,682	5,078,662
Excess (deficiency) of revenues over (under) expenditures/ expenses	84,700	6,673	91,373	(303,123)	(4,981,495)	5,072,868
Other financing sources, net	99,687	-	99,687	2,700	2,700	96,987
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	184,387	6,673	191,060	(300,423)	(4,978,795)	5,169,855
Balance beginning of year	899,614	197,308	1,096,922	788,020	788,020	308,902
Balance end of year	<u>\$ 1,084,001</u>	<u>\$ 203,981</u>	<u>\$ 1,287,982</u>	<u>\$ 487,597</u>	<u>\$ (4,190,775)</u>	<u>\$ 5,478,757</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$4,678,372.

During the year ended June 30, 2011, expenditures in the support services function exceeded the amount budgeted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 453	\$ 453	0.0%	\$ 7,348	6.2%
2011	July 1, 2009	-	446	446	0.0%	7,311	6.1%

See note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Assets				
Cash and pooled investments	\$ 90,498	\$ 60,355	\$ 447,697	\$ 598,550
Receivables:				
Property tax:				
Current year	3,418	-	4,981	8,399
Succeeding year	180,000	-	220,589	400,589
Accounts	-	1,889	-	1,889
Total assets	\$ 273,916	\$ 62,244	\$ 673,267	\$ 1,009,427
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 250	\$ 3,754	\$ -	\$ 4,004
Salaries and benefits payable	-	482	-	482
Interfund payable	250	-	-	250
Deferred revenue:				
Succeeding year property tax	180,000	-	220,589	400,589
Total liabilities	180,500	4,236	220,589	405,325
Fund balances:				
Restricted for:				
Revenue bonds sinking fund	-	-	438,200	438,200
Debt service	-	-	14,478	14,478
Management levy purposes	93,416	-	-	93,416
Student activities	-	58,008	-	58,008
Total fund balances	93,416	58,008	452,678	604,102
Total liabilities and fund balances	\$ 273,916	\$ 62,244	\$ 673,267	\$ 1,009,427

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Revenues:				
Local sources:				
Local tax	\$ 183,992	\$ -	\$ 265,015	\$ 449,007
Other	14,045	162,505	8,728	185,278
State sources	72	-	104	176
Total revenues	<u>198,109</u>	<u>162,505</u>	<u>273,847</u>	<u>634,461</u>
Expenditures:				
Current:				
Instruction	59,471	135,540	-	195,011
Support services:				
Student services	913	-	-	913
Instructional staff services	9,233	1,492	-	10,725
Administration services	2,796	31	-	2,827
Operation and maintenance of plant services	81,627	9,079	-	90,706
Transportation services	20,797	789	-	21,586
Other expenditures:				
Long term debt:				
Principal	-	-	600,000	600,000
Interest and fiscal charges	-	-	521,896	521,896
Total expenditures	<u>174,837</u>	<u>146,931</u>	<u>1,121,896</u>	<u>1,443,664</u>
Excess (deficiency) of revenues over (under) expenditures	23,272	15,574	(848,049)	(809,203)
Other financing sources (uses):				
Interfund transfers in	-	1,583	1,225,257	1,226,840
Interfund transfers out	-	(5,689)	-	(5,689)
General obligation bonds issued	-	-	4,430,000	4,430,000
Payments to escrow agent	-	-	(4,363,196)	(4,363,196)
Total other financing sources (uses)	<u>-</u>	<u>(4,106)</u>	<u>1,292,061</u>	<u>1,287,955</u>
Net change in fund balances	23,272	11,468	444,012	478,752
Fund balances beginning of year	<u>70,144</u>	<u>46,540</u>	<u>8,666</u>	<u>125,350</u>
Fund balances end of year	<u>\$ 93,416</u>	<u>\$ 58,008</u>	<u>\$ 452,678</u>	<u>\$ 604,102</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 564,122	\$ 220,409	\$ 360	\$ 784,891
Receivables:				
Property tax:				
Current year	-	1,750	-	1,750
Succeeding year	-	105,503	-	105,503
Income surtax	-	299,462	-	299,462
Due from other governments	138,524	3,351	61,436	203,311
Prepaid expenses	-	267	-	267
Total assets	\$ 702,646	\$ 630,742	\$ 61,796	\$ 1,395,184
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 11,641	\$ 23,149	\$ 34,790
Salaries and benefits payable	-	781	-	781
Deferred revenue:				
Succeeding year property tax	-	105,503	-	105,503
Other	-	299,462	-	299,462
Total liabilities	-	417,387	23,149	440,536
Fund balances:				
Nonspendable:				
Prepaid expenses	-	267	-	267
Restricted for:				
Revenue bonds	412,500	-	-	412,500
School infrastructure	290,146	-	38,647	328,793
Physical plant and equipment	-	213,088	-	213,088
Total fund balances	702,646	213,355	38,647	954,648
Total liabilities and fund balances	\$ 702,646	\$ 630,742	\$ 61,796	\$ 1,395,184

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 803,370	\$ 392,075	\$ -	\$ 1,195,445
Other	13,537	5,820	71,985	91,342
State sources	-	36	7,228	7,264
Federal sources	-	3,351	54,208	57,559
Total revenues	<u>816,907</u>	<u>401,282</u>	<u>133,421</u>	<u>1,351,610</u>
Expenditures:				
Current:				
Support services:				
Administration services	-	24,624	-	24,624
Transportation services	-	80,504	-	80,504
Other expenditures:				
Facilities acquisition	23,375	65,204	103,444	192,023
Total expenditures	<u>23,375</u>	<u>170,332</u>	<u>103,444</u>	<u>297,151</u>
Excess of revenues over expenditures	793,532	230,950	29,977	1,054,459
Other financing sources (uses):				
Interfund transfers in	-	-	5,000	5,000
Interfund transfers out	(1,068,027)	(158,757)	-	(1,226,784)
Intrafund transfers in	-	-	3,670	3,670
Intrafund transfers out	-	(3,670)	-	(3,670)
Total other financing sources (uses)	<u>(1,068,027)</u>	<u>(162,427)</u>	<u>8,670</u>	<u>(1,221,784)</u>
Net change in fund balances	(274,495)	68,523	38,647	(167,325)
Fund balances beginning of year, as restated	<u>977,141</u>	<u>144,832</u>	<u>-</u>	<u>1,121,973</u>
Fund balances end of year	<u>\$ 702,646</u>	<u>\$ 213,355</u>	<u>\$ 38,647</u>	<u>\$ 954,648</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues/ Transfers In	Expenditures/ Transfers Out	Balance End of Year
District Wide:				
Miscellaneous	\$ -	\$ 3,213	\$ 3,210	3
Booster Club Reimbursement	-	15,202	15,202	-
Fine Arts Booster Donation	-	300	300	-
Elementary:				
Student Council	-	1,020	800	220
Junior High:				
Athletics	-	50	50	-
Boys' Basketball	-	1,303	1,303	-
Football	-	613	613	-
Boys' Track	-	245	245	-
Wrestling	-	466	466	-
Girls' Basketball	-	1,183	1,183	-
Girls' Volleyball	-	1,156	1,156	-
Girls' Track	221	395	616	-
Softball	-	625	625	-
Eighth Grade	1,400	(200)	-	1,200
Seventh Grade	600	-	-	600
Student Council	1,672	1,694	1,500	1,866
High School:				
Drama	9,380	2,969	3,483	8,866
High School FB, BB, WR Fundraiser	611	7,221	6,410	1,422
Athletics	(8,719)	5,480	2,445	(5,684)
Cross Country	-	867	867	-
Cross Country Fundraiser	-	170	170	-
Cross Country Resale Fund	-	1,494	1,494	-
HS Cheerleading	515	1,717	1,737	495
Dance Team Fund	196	-	-	196
Boys' Basketball	-	3,470	3,470	-
Boys' Basketball Fundraiser	2,557	2,813	3,680	1,690
Football	-	9,573	9,573	-
Football Fundraiser	1,686	2,775	3,472	989
Boys' Soccer	-	2,816	2,816	-
Boys' Soccer Fundraiser	710	562	293	979
Baseball	-	4,950	4,950	-
Baseball Fundraiser	1,422	840	907	1,355
Boys' Track	495	2,356	2,554	297
Boys' Golf	(76)	2,770	1,789	905
Wrestling	9,117	97	8,978	236
Girls' Basketball	-	3,148	3,148	-
Girls' Basketball Fundraiser	767	1,445	1,089	1,123

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues/ Transfers In	Expenditures/ Transfers Out	Balance End of Year
High School (continued):				
Volleyball	\$ -	\$ 5,280	\$ 5,280	\$ -
Volleyball Fundraiser	4	216	220	-
Girls' Soccer	-	3,588	3,588	-
Girls' Soccer Fundraiser	262	61	141	182
Softball	-	1,958	1,958	-
Softball Fundraiser	346	2,914	748	2,512
Girls' Track	-	3,717	3,717	-
Girls' Track Resale	(19)	2,149	1,323	807
Girls' Golf	-	1,296	1,296	-
Girls' Golf Fundraiser	1,364	3,650	4,128	886
Seniors	110	(57)	53	-
Juniors	-	3,747	2,953	794
Sophomores	1,527	-	32	1,495
Freshmen	1,527	(127)	45	1,355
FHA	768	-	16	752
FFA	23,538	20,944	20,312	24,170
Greenhouse Fund	5,831	5,188	2,473	8,546
Color Guard	180	203	-	383
Anime Fund	65	-	-	65
Journalism	1,075	(659)	416	-
IT Club	101	-	69	32
National Honor Society	2,072	362	318	2,116
Student Council	882	460	373	969
Yearbook	(15,647)	24,400	12,567	(3,814)
Total	\$ 46,540	\$ 164,088	\$ 152,620	\$ 58,008

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 5,341	\$ 92,695	\$ 91,597	\$ 6,439
Accounts receivable	17	(17)	-	-
Total assets	<u>\$ 5,358</u>	<u>\$ 92,678</u>	<u>\$ 91,597</u>	<u>\$ 6,439</u>
Liabilities				
Other payables	<u>\$ 5,358</u>	<u>\$ 92,678</u>	<u>\$ 91,597</u>	<u>\$ 6,439</u>

See accompanying independent auditor's report.

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WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 4,979,853	\$ 4,720,809	\$ 4,686,294	\$ 4,383,660
Tuition	142,119	142,207	164,003	183,998
Other	487,757	705,817	434,483	414,123
State sources	7,111,211	6,176,719	6,452,519	6,567,602
Federal sources	864,780	1,279,692	556,461	475,743
Total revenues	<u>\$ 13,585,720</u>	<u>\$ 13,025,244</u>	<u>\$ 12,293,760</u>	<u>\$ 12,025,126</u>
Expenditures:				
Instruction	\$ 8,247,609	\$ 8,487,941	\$ 7,725,626	\$ 7,045,643
Support services:				
Student services	359,987	221,847	326,200	261,395
Instructional staff services	580,150	745,109	511,892	497,392
Administration services	1,208,088	1,184,719	1,130,992	1,117,851
Operation and maintenance of plant services	872,330	894,554	824,556	839,878
Transportation services	429,857	483,283	362,809	378,165
Non-instructional programs	8,579	14,755	1,784	8,543
Other expenditures:				
Facilities acquisition	192,023	2,929,715	3,887,559	577,412
Long-term debt:				
Principal	600,000	575,000	555,000	535,000
Interest and fiscal charges	521,896	451,186	371,496	304,478
AEA flowthrough	480,501	473,195	413,549	404,516
Total expenditures	<u>\$ 13,501,020</u>	<u>\$ 16,461,304</u>	<u>\$ 16,111,463</u>	<u>\$ 11,970,273</u>

See accompanying independent auditor's report.

<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 4,122,480	\$ 3,947,341	\$ 3,672,741
97,217	87,345	113,168
401,798	329,952	2,378,613
6,058,991	5,449,822	5,131,990
455,182	555,366	1,020,523
<u>\$ 11,135,668</u>	<u>\$ 10,369,826</u>	<u>\$ 12,317,035</u>
\$ 6,787,865	\$ 6,433,053	\$ 6,197,702
203,932	190,986	216,691
501,013	568,994	394,044
967,867	933,439	824,547
753,719	734,840	624,595
408,584	367,395	329,810
3,453	-	-
469,248	466,161	5,687,846
510,000	500,000	505,744
327,028	348,842	372,421
383,857	346,184	324,503
<u>\$ 11,316,566</u>	<u>\$ 10,889,894</u>	<u>\$ 15,477,903</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	\$ 55,370
National School Lunch Program	10.555	FY 11	291,992
National School Lunch Program (non-cash)	10.555	FY 11	37,588
Summer Food Service Program for Children	10.559	FY 11	16,856
			<u>401,806</u>
U. S. Department of the Interior:			
Iowa Department of Natural Resources:			
Sport Fish Restoration Program	15.605	FY 10	<u>556</u>
National Endowment for the Arts:			
Iowa Arts Council:			
Promotion of the Arts - Partnership Agreements	45.025	FY 11	<u>200</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	6975G	189,795
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	<u>63,710</u>
			<u>253,505</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	<u>297</u>
Fund for the Improvement of Education	84.215	FY 11	<u>3,351</u>
Advanced Placement Program	84.330	FY 11	<u>1,848</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>41,253</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>7,306</u>
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	609
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 11	64,641
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY 11	<u>57,657</u>
			<u>122,907</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Mississippi Bend Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 11	\$ 66,005
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	84,514
			<u>150,519</u>
Career and Technical Education - Basic Grants to States	84.048	FY 10	826
Career and Technical Education - Basic Grants to States	84.048	FY 11	4,761
			<u>5,587</u>
English Language Acquisition Grants	84.365	FY 11	<u>24,758</u>
U. S. Department of Health and Human Services:			
Community Action of Eastern Iowa:			
Head Start	93.600	FY 11	<u>66,242</u>
U. S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Hazard Mitigation Grant	97.039	HMGP- DR1763-70-01	<u>54,208</u>
Total			<u>\$ 1,134,343</u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of West Liberty Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
West Liberty Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Liberty Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 9, 2012. We disclaimed an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Liberty Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Liberty Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Liberty Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Liberty Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a material instance of noncompliance described as II-A-11 in the accompanying Schedule of Findings and Questioned Costs and certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about West Liberty Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Liberty Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit West Liberty Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Liberty Community School District and other parties to whom West Liberty Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Liberty Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
January 9, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
West Liberty Community School District:

Compliance

We have audited West Liberty Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. West Liberty Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of West Liberty Community School District's management. Our responsibility is to express an opinion on West Liberty Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Liberty Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Liberty Community School District's compliance with those requirements.

In our opinion, West Liberty Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of West Liberty Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered West Liberty Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Liberty Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

West Liberty Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit West Liberty Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Liberty Community School District and other parties to whom West Liberty Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
January 9, 2012

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) We disclaimed an opinion on the discretely presented component unit and issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit disclosed an instance of non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
 - Clustered programs:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Liberty Community School District did not qualify as a low-risk auditee.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

- II-A-11 Financial Condition – At June 30, 2011, the General Fund had an unassigned deficit fund balance of \$685,671 and a total deficit fund balance of \$474,749. In addition, the District's governmental activities had an unrestricted net assets deficit of \$417,914.

Recommendation – The District should investigate alternatives to eliminate these deficits and return the General Fund and the governmental activities to sound financial conditions.

Response – For fiscal year 2012, we increased our cash reserve levy, will use the Education Jobs grant money, and did not replace three retirees.

Conclusion – Response accepted.

Internal Control Deficiencies:

- II-B-11 Athletic Gate Admissions – The athletic event gate admissions and change box are not reconciled with prenumbered tickets.

Recommendation – The District should establish reconciliation procedures for athletic gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – We will be doing gate ticket reconciliations starting next year.

Conclusion – Response accepted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, exceeded the amount budgeted in the support services function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

- IV-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.

- IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- IV-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

- IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- IV-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

- IV-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

- IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	977,141
Revenues:			
Sales tax revenues	\$	803,370	
Other local revenues		<u>13,537</u>	816,907
Expenditures/transfers out:			
Other		23,375	
Transfers to other funds:			
Debt Service Fund		<u>1,068,027</u>	<u>1,091,402</u>
Ending balance		\$	<u>702,646</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.40041	\$ 94,125

- IV-M-11 Deficit Balances – The nonmajor Special Revenue, Student Activity Fund had two deficit balances within the group of single activity accounts.

Recommendation – The District needs to continue monitoring the activity accounts closely and keep working on eliminating the deficit balances.

Response – We will continue to monitor the Student Activity Fund accounts and work to eliminate the deficit balances.

Conclusion – Response accepted.